

STAR BONDS IN KANSAS



What are STAR Bonds?

- › Mechanism for Public Financing of major commercial, entertainment and tourism projects.
- › Sales Tax Revue (STAR) Bonds
- › Paid from new state and local sales tax revenue generated by the business located within the STAR Bond Project Area
- › Special Obligation bonds – no G.O.

STAR Bond Use in Kansas

- › Legends at Village West Shopping Center – Wyandotte County
- › Kansas Speedway – Wyandotte County
- › Cabela's and Nebraska Furniture Mart – Wyandotte County
- › All authorized by special legislation

Kansas Motor Speedway





Cabela's

Legends at Village West



STAR Bond Use in Kansas

- › Kansas Underground Salt Museum - Hutchinson
- › Town Center Mall - Manhattan
- › Wizard's Stadium – Wyandotte County
- › Result of statutory change to allow any city to apply without going to the Legislature (statewide authority)
- › All projects now have to meet statutory requirements and be approved by the Secretary of Commerce



KANSAS
UNDERGROUND
Salt
Museum

UNDERGROUND

Manhattan Town Center Mall



K.C. Wizards Stadium



Wichita River District STAR Bond Project



Photo courtesy Don Siedhoff

Statutory STAR Bond Project Requirements

“Major Commercial Entertainment and Tourism Projects”

- › Approved by Kansas Secretary of Commerce
- › Major investment (“50 – 50” requirement)
- › Anchored by a major tourist attraction
 - › 20% of visitors from out of state
 - › 30% of visitors from more than 100 miles away

Statutory STAR Bond Project Requirements (Continued)

50 – 50 Requirement

- › Total capital investment greater than \$50,000,000
- › Businesses within STAR Bond area must generate gross sales in excess of \$50,000,000 per year
- › Different standard for non-urban counties

Statutory STAR Bond Project Requirements (Continued)

Financial Feasibility Study

- › 50 – 50 Requirement
- › Demonstrate capacity of projected incremental sales tax revenue to cover bond payments
- › Gap analysis (local requirement)

Marketing Study

- › Market impact (impact on existing/competing businesses)
- › Market feasibility

Statutory STAR Bond Project Requirements (Continued)

Permitted uses of STAR Bonds

- › Same as Tax Increment Financing
 - › Horizontal improvements only
 - › Land acquisition, site work, infrastructure, etc.
 - › No vertical improvements except parking structures
- › Museums must be publicly owned and a separate free standing building (No Cabela's)

Statutory STAR Bond Project Requirements (Continued)

Sales Tax “Increment”

- › New Revenue only
 - › Base year revenue is netted out
 - › 12 months preceding Secretary of Commerce approval
- › Legislative issue
 - › Stemming from Wizards project
 - › Seeks to reset base year for new projects within existing STAR Bond Districts
 - › Did not make it out of Committee

Pay-As-You-Go Option

- › No STAR bond issue
- › Avoid high interest rates, high coverage requirements
- › Use to pay-off City notes
- › Memorandum of Understanding with Secretary of Commerce and Secretary of Revenue

STAR Bond Approval Process

- › Same process as TIF
- › Two major steps
 - › Establish the STAR Bond District
 - › Approve the STAR Bond Project Plan
- › Additional step of State approval

STAR Bond Approval Process

Establish STAR Bond District

- › Resolution to set public hearing
 - › Mailed to all owners and occupants within the District
 - › Mailed to Board of Education and Board of County Commissioners
- › Public hearing and approval of Ordinance
- › Set boundaries and approve the “District Plan”
 - › General description of the proposed STAR Bond project
- › Determination by Secretary of Commerce that area is eligible for STAR Bond Project
- › County/USD can veto only if projects have a negative impact on property taxes

STAR Bond Approval Process

Approve STAR Bond Project Plan

- › Detailed Project Plan developed
 - › Includes financial and market studies
 - › Detailed site plan
- › MAPC finding of consistency with the Comprehensive Plan
- › Same Resolution, Hearing and Ordinance process
- › Ordinance must be passed by a 2/3 majority vote

STAR Bond Approval Process

Secretary of Commerce Approval

- › Ability to attract visitors from beyond the community and state
- › Economic Impact for increased sales, quality of life and job creation
- › Unique quality of the project relative to the national, regional and state attraction market
- › Ability of the project to remain profitable and a significant market driver
- › Quality of experience compared to national market

QUESTIONS?

